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Abbreviations and Acronyms

BSC Budget Steering Committee

CFO	Chief Financial Officer
CPI	Consumer Price Index
DoR	ADivision of Revenue Act
EE	Employment Equity
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
LED	Local Economic Development
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprise

Part 1 – Annual Budget

1.1.Mayor's Report

Attached as Annexure A

Council Resolutions (Attached as Annexure B)

On the 31 May 2013 the Council of Aganang Local Municipality met SASSA Kalkspruit-Maraba Hall to consider the annual budget of the municipality for the financial year 2013/14 MTREF.
The council approved and adopted the following resolutions:

The council of Aganang Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act (Act 56 of 2003) approves and adopts:
The annual budget of the municipality for the financial year 2013/14 and the multi- year and single- year capital appropriations as set out in the following tables:

- Budgeted Financial Performance (revenue and expenditure by standard classification)
- Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Budgeted Financial Performance (revenue by source and expenditure by type)
- Multi -year and single year capital appropriations by municipal vote and standard vote and standard classification
- The financial position, cash flow budget , cash backed reserve/ accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

-budgeted Financial Position
-budgeted cash flows
-cash backed reserves and accumulated surplus reconciliation
-Asset Management
-Basic Service Delivery measurement

1.2 Executive Summary

The application of sound financial management principles for the compilation of the council's financial plan is essential and critical to ensure that the municipality is shifting from the current financial situation to a financially sound and viable so that the municipal functions can be extended to include other functions such as waste management and that services that are provided are sustainable.
The municipality's service delivery priorities were reviewed as part of Final Budget and budget process. A critical and more robust approach was followed to ensure that high priority programmes and projects are funded as noncore and nice to have items were sifted.

Operational programmes were critically analysed and in some instance control measures were introduced to monitor the expenditure on such programmes or votes, departments made proposal for the drafting of the tabled budget and some of their proposal were reduced due to financial constraints and the following serves as an example- Subsistence and travelling allowance , Accommodation ,Catering , Professional fees etc

The compilation of the 2013/14 MTREF was guided by the National Treasury's MFMA circular No. 59
The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The municipality 's reliance on grants (Grants Dependency Syndrome)
- Lack or no revenue base
- Non payment of property rates by government departments
- Wage increase for municipal staff that push the operating expenditure to be more than capital expenditure
- Lack of economic activities within the boundaries of the municipality
- No land for development as the land is controlled by the traditional authorities

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

Rates increases should be affordable and should generally not exceed inflation as measured by the CPI
The municipality will fund projects which are within the parameters of the functions as unfunded mandates are the thing of the past
In view of the above mentioned, the following table is a consolidated overview of the proposed 2013/14 Medium-Term Revenue and Expenditure Frame work:

EXECUTIVE SUMMARY ON 2013/14 TO 2015/16 FINAL BUDGET

Description	Adjustment Budget 2012/13 R	Budget Year +1 2013/14 R	Budget Year +2 2014/15 R	Budget Year +3 2015/16 R
Total Operating Expenditure	84 201 152	87,501,249	96,981,991	105,925,094
Total Capital Expenditure	56 687 801	45,429,200	49,220,330	68,680,344
Total Revenue	135 388 953	132,930,449	146,202,321	174,605,437
Deficit	5 500 000	13,663,000	15,029,300	16,532,230

1.3 Financial Performance

Our revenue has decreased by 19.86% or R11, 258,601.00 compared to the Adjusted Budget due to the revenue rolled over in the previous financial year and as compared to the initial budget of R117, 611,078 for the 2012/13, our revenue has increased by 13.02 or R15, 319,371 due to business licensing registration function which the municipality is planning to functionalize in the 2013/14 financial year and operationalization of traffic station. For the two outer years, revenue will increase by 11% or R14, 380,936 and 19% or R28,691365 respectively

1.4 Operating Expenditure

Total operating expenditure has increased by 1% or R823,554. Excluding depreciation .which translate into a budgeted deficit of R 13,6 million as a result of a non cash item. When compared to the Annual budget of R81 367 378, expenditure has grown by 4 %. For the two outer years, expenditure has grown by 11% or R9,299,618 and 9% or R8,735,566 respectively. The operating deficit for the two outer years steadily increases to R 15, million and R16.5 million. These budgeted deficits are as a result of budgeting for depreciation which in its nature is not cash item, as there is no actual outflow of cash from the municipality.

1.5 Capital Expenditure

The capital budget has decreased by -15% or –R8,782,058 as compared to adjusted capital budget due to roll over projects from the previous financial year and as compared to the initial budget of R41,743,700 it has increased by 15% or R6,162,043..For the two outer years, our capital budget has increased by 11% or R5,081,321 and 38% or R19,955,799 respectively ..

The capital programme for the 2013/14 MTREF will be funded from the government grants specifically the MIG and Equitable shares as the municipality is struggling financially which automatically rules out the possibility of borrowings.

Aganang Local Municipality rural as it is find it difficult to penetrate the revenue streams that will enable the municipality to move from grants dependency to be a financially viable municipality. The municipality is striving to provide its citizens with quality services and those services to remain sustainable we need to generate the required revenue. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding, although Aganang Municipality has identified several revenue streams, it still becomes a challenge as the municipality is unable to gazette any by-laws due to the issue of land which belongs to the Magoshi.

The introduction of the Municipal Property Rates Act was introduced as a relief to municipalities like Aganang that do not have revenue base but it turned out that the approach of the act was a one size fits all which dynamics of municipalities differ as in our instance the municipality does not own the land, which makes it difficult to levy rates on the residents. The government department are billed on monthly basis but nothing is forthcoming as there are arguments about the issue of land ownership and other issues.

Table 2 Summary of revenue classified by main revenue source

Description	2009/10 Audited Outcome	20010/11 Audited Outcome	2011/12 Audited Outcome	Current Year 2012/13			2013/14 MTREF		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year 2014/15	Budget Year 2015/16
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Property Rates	6,385	4,958	7,445	300	300	300	500	550	605
Rental of Facilities and Equipment	285	321	318	454	454	454	596	696	721
Interest earned-external investment	828	1,100	1,321	1,358	1,358	1,358	1,426	1,498	1,573

Interest earned-outstanding debtors			1,651	11	11	11	12	12	13
Licences and permits				2,320	2,420	2,420	3,200	3,520	3,872
Agency service							2,000		
Transfers recognised-operational	45,849	56,980	60,977	67,523	67,644	67,644	69,652	80,043	87,834
Other Revenue	596	4,625	7,131	3,901	6,581	6,581	7,638	8,046	8,442
Total Revenue excluding capital transfers and contributions	53,942	67,985	78,843	75,867	78,768	78,768	85,025	94,324	105,060

Table 3 Percentage growth in revenue by revenue Source

Description	**Current Year 2012/13**		**2013/14 Medium Term Revenue & Expenditure Framework**					
	Adjusted Budget	**%**	**Budget Year 2013/14**	**%**	**Budget Year +1 2014/15**	**%**	**Budget Year +2 2015/16**	**%**
Revenue by Source	R'000		R'000		R'000		R'000	
Property Rates	300	0.4	500	0.6	550	0.6	605	0.6
Rental of facilities and Equipment	454	0.6	596	0.7	656	0.7	721	0.7
Interest Earned-External Investment	1,358	1.7	1,426	1.7	1,498	1.6	1,573	1.5
Interest Earned – Outstanding Debtors	11	0	12		12		13	
Licenses and Permits	2,420	3	3,200	3.8	3,520	3.7	3,872	3.8
Agency Services			2,000	2.4				
Transfers Recognised - Operational	67,644	83.8	69,652	81.9	80,043	84.9	87,834	85.2
Other Revenue	8,556	10.6	7,638	9	8,046	8.5	8,442	8.19

Total Revenue Excluding Capital Transfers	80,743		85,025		94,324		103,060	

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

In this current year of 2012/13 operating grants and transfers totalled to R67.5 million. This increases to R72 million, 83 million and 92 million in the respective financial years of the MTREF. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grants Receipts

GRANTS AND SUBSIDIES	2013/14	2014/15	2015/16
	R'000	R'000	R'000
Equitable share	66,612	77,309	84,917
MSIG	890	934	967
LGFMG	1,650	1,800	1,950
EPWP	500		
TOTAL	**69,652**	**80,043**	**87,834**

The municipality has kept the available rates affordable for those revenue generating sources below the inflation target. The municipality is not collecting revenue in terms of services such as refuse removal, water, electricity as there are no activities relating to such services. The municipality is currently at the planning stage and has allocated enough budget to procure waste removal truck for the said service In terms of electricity Eskom is the responsible entity that is providing and receiving revenue, the Capricorn district municipality is responsible for water as it is the authority and the municipality is the provider.

In terms other services the municipality has financial constraints that made it impossible to finance the necessary requirements to operate certain activities. The municipality does not have a landfill site to ensure that all the refuse collected within the boundaries of the municipality are dump at the site that meet the requirements of the available Acts relating to environmental matters.

The municipality is unable to collect property rates due to the non payment of this source by provincial and national government and also experiencing the same challenges on households. The issue of rural municipalities that don't own a piece of land needs to be given priority by those in positions that privileged them to take such favourable decision as it is causing challenges for the rural municipalities even in terms of development the process has some bottlenecks.

Operating Expenditure Framework

The expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA

- Balanced budget constraint (operating expenditure should not exceed operating revenue, the only exception will be in terms of non cash items such as depreciation) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- The capital programme is aligned to the backlog eradication plan as outlined in the IDP
- Strict adherence to the principle of no clear specification no budget allocation.

The following table is a high level summary of the 2013/14 budget and MTREF (Classified per main type of operating expenditure)

Table 5 Summary of operating expenditure by standard classification item

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 MTREF		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget year 2013/14	Budget Year + 1 2014/15	Budget year + 2 2015/16
Employee Related Costs	17 598	27 686	27,473	40,037	39,219	39,219	45,900	48,351	51,977
Remuneration of Councillors	6 441	6 739	8,598	9,047	10,050	10,050	9,508	10,126	10,886
Depreciation and Asset Impairment	4 309	6 616	7,144	5,500	5,500	5,500	13,663	15,029	16,532
Contracted services	1 631	1 426	2,097	2,787	2,852	2,852	2,862	3,124	3,377
Other Operating Expenditure	30 727	18 830	21,240	23,996	24,489	24,489	26,754	32,744	36,850
Total Expenditure	60 706	61 297	66,551	81,367	82,110	82,110	98,688	109,374	119,622

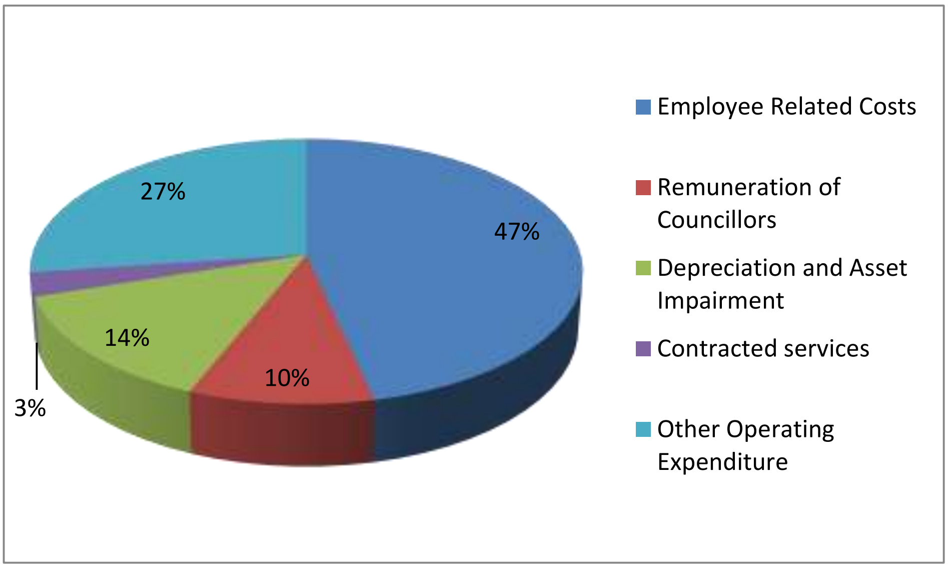
The budgeted allocation for employee related costs for the 2013/14 financial year totals R45,899,755 which equals 46.5% of the operating expenditure. Based on the analysis and guidelines provided by National treasury on employee related costs, municipalities were to increase salaries and wages for municipal employees , councillors and section 57 employees by 6.95% and 6.5.As part of the Municipality's cost cutting and cash management strategy vacancies have been significantly rationalised downwards. The Organisational structure and Budget have been increased to include additional twenty (7) seven new positions. As part of the planning assumptions and intervention all positions were prioritised and a scattered plan of appointments was also developed.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the remuneration of Public Office Bearers Act, 1998 (Act no 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The provision of debt impairment will be determined based on an annual collection rate of less than 5% and the Debt write-off policy of the municipality. While the expenditure is considered to be a non cash item, it formed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R13.6 million for the 2013/14 financial and equates to 13.5% of the total operating expenditure.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/14 financial year this group of expenditure totals R2,862,000 For the two outer years growth has been limited to less than 10% for both years.
Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. During deliberations by user departments motivations were given not to reduce some of the line items due to their importance but the financial constraints faced by the municipality due to increase in employee related cost left the budget steering committee with no option but to reduce some of the ridiculously unaffordable line items and non essentials nice to have line items. Further details relating to contracted services can be referred in table SA1.

The following table gives a breakdown of the main expenditure categories for the year 2013/14 financial year



1.6 Other Expenditure Categories

Repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current available infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an

outcome of certain other expenditures, such as construction of infrastructure. In relation to the total operating expenditure, repairs and maintenance has increased by 31% as compared to the annual budget.

The below table provides a breakdown of the repairs and maintenance in relation to assets class

Table 6 Repairs and Maintenance by Assets Class

Description	**Current Year 2012/13**			**2013/14 MTREF**		
Repairs & Maintenance by assets class	Original Budget R'000	Adjusted Budget R'000	Full year Forecast R'000	Budget year 2013/14 R'000	Budget year 2014/15 R'000	Budget year 2015/16 R'000
Infrastructure Road	100	100	100	350	250	572
Infrastructure Water	2,000	2,295	2,295	0	0	0
Infrastructure assets	317	319	319	1,160	506	523
Other Assets	20	11	.11	348	350	350
Plant, tools and Equipment	500	1,025	1,025	2,000	1,500	1,750

For the 2013/14 financial year, R1,160,000 of total repairs and maintenance will be spent on infrastructure assets, followed by roads maintenance at R350,000. For the previous financial years ,the municipality was the appointed Water Service Provider responsible for the maintenance of the water infrastructure, of which was funded by Capricorn District Municipality as the Water Service Provider, but for the financial year 2013/14 ,The district has withdrawn its grant for water related The other assets include assets such as plant tools and equipment, which has been allocated R2,000,000 and Office furniture and equipment amounting to R20 000
.

Free Basic Services

The free basic services assists household that are indigents or face circumstances that limit their ability to pay for services. The free basic alternative energy is assisting households that are part without electricity as a result of them been post connection village extension as the municipality has electrified all villages in the municipality and now concentrating on electrifying extension.
To receive these free services the households are required to register in terms of the municipality's indigent policy to be able to benefit from free basic electricity.
The municipality also offer free water to villages even though there are challenges relating to the source of water, the highest percentage of the municipality is served by unreliable underground water which makes it difficult for the Water Service Authority to install water meters to be able to charge or bill for water service and the other issue is the RDP standard for water provision with taps located 200m from the households, how do you then meter these household.

Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 2013/14 Medium –term capital budget per vote

Description	Current Year	2013/14 Medium Term Revenue & Expenditure

	2013/14		Framework					
	Adjusted	%	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year + 2 2015/16	%
Governance & Administration			3,153	6.6	2,164	4.1	2,380	3.3
Building			300	0.6	8,700	16.4		
Plant,Tools & Equipment			5,745	12.	5,111	9.6	12,195	16.7
Planning & Economic Development			3,620	7.6	2,347	4.4	6,978	9.6
Child Care			4,000	8.3	3,000	5.7	4,800	6.6
Roads			26,357	55	28,530	53.8	40,007	54.8
Sports Facilities			2,730	6	3,135	6.5	6,584	9
Electrification			2,000	4.2				
			47,906		52,987		72,944	

The total budget for the municipality for capital outlay amount to R47,905,743 which is 36% of the total budget of the municipality. For the 2013/14 financial year, an amount of R35 million or 73% of capital budget has been appropriated for the roads and transport infrastructure which is the highest budget for the 2013/14 financial year relating to infrastructure development.

Other assets represent 27% or R12, 818,350 of the total capital budget and in the outer two years this amount to R18, 322,330 and R21, 552,363 respectively for each of the financial years.

In terms of funding of infrastructure or capital development the municipality find it difficult to augment the conditional grants that are provided for by National Government due to lack of revenue base or streams. Other than the MIG the municipality rely mostly on the equitable shares to cover for the other part of the capital development.

1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the council.